

**NEGAUNEE TOWNSHIP**

MARQUETTE COUNTY, MICHIGAN

FINANCIAL STATEMENTS

AND

ADDITIONAL INFORMATION

FOR THE YEAR ENDED MARCH 31, 2008

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## **TOWNSHIP OF NEGAUNEE, MICHIGAN**

### **Management's Discussion and Analysis**

Our discussion and analysis of the Township of Negaunee, Michigan's financial performance provides an overview of the Township's financial activities for the year ended March 31, 2008. Please read it in conjunction with the financial statements.

#### **FINANCIAL HIGHLIGHTS**

- Net Assets for the Township as a whole increased by \$204,541 or 5.4% as a result of this year's operations.
- During the year, the Township had expenditures for governmental activities that were \$970,833 and revenues of \$908,099 as compared to expenditures of \$984,291 and revenues of \$860,143 for fiscal year end March 31, 2007.
- The General Fund reported a net fund balance of \$82,378 as of March 31, 2008, a decrease of \$75,484 from the April 1, 2007 balance of \$157,862.

#### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide statements by providing information about the Township's most significant funds.

#### **TOWNSHIP AS A WHOLE**

The Statement of Net Assets and the Statement of Activities report information about the Township as a whole and about its activities. These reports help to provide detailed information as to whether the Township, as a whole, is better off or worse off as a result of the year's activities.

These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Township's net assets and changes.

**TOWNSHIP OF NEGAUNEE, MICHIGAN**  
**Management's Discussion and Analysis – Continued**  
**MARCH 31, 2008**

In a condensed format, the table below shows a comparison of the net assets (in thousands of dollars) as of the current date.

**Negaunee Township Total Net Assets – Governmental and Business-Type Activities**

(In 000's)	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>3/31/08</u>	<u>3/31/07</u>	<u>3/31/08</u>	<u>3/31/07</u>	<u>3/31/08</u>	<u>3/31/07</u>
Current Assets	\$ 863	\$ 761	\$ 420	\$ 273	\$1,283	\$1,034
Noncurrent Assets	<u>1,483</u>	<u>1,472</u>	<u>2,388</u>	<u>2,590</u>	<u>3,871</u>	<u>4,062</u>
Total Assets	<u>\$2,346</u>	<u>\$2,233</u>	<u>\$2,808</u>	<u>\$2,863</u>	<u>\$5,154</u>	<u>\$5,096</u>
Long-Term Debt Outstanding	\$ 713	\$ 859	\$ 150	\$ 212	\$ 863	\$1,071
Other Liabilities	<u>259</u>	<u>200</u>	<u>64</u>	<u>61</u>	<u>323</u>	<u>261</u>
Total Liabilities	<u>\$ 972</u>	<u>\$1,059</u>	<u>\$ 214</u>	<u>\$ 273</u>	<u>\$1,186</u>	<u>\$1,332</u>
Net Assets Invested in Capital						
– Net of Related Debt	\$ 778	\$ 568	\$2,103	\$2,212	\$2,881	\$2,780
Restricted for Debt Service			112	97	112	97
Unrestricted	<u>596</u>	<u>606</u>	<u>379</u>	<u>281</u>	<u>975</u>	<u>887</u>
Total Net Assets	<u>\$1,374</u>	<u>\$1,174</u>	<u>\$2,594</u>	<u>\$2,590</u>	<u>\$3,968</u>	<u>\$3,764</u>

Total Net Assets stood at \$3,968,329 as of fiscal year end March 31, 2008 compared to \$3,763,788 one year prior. Unrestricted net assets – the part of net assets that could be used to finance the day-to-day activities without constraints established by debt covenants, enabling legislation, or other legal requirements – stood at \$974,456 compared to \$886,738 at March 31, 2007.

Total Liabilities as of March 31, 2008 stood at \$1,185,324 as compared to \$1,332,531 at fiscal year end 2007. The decrease in liabilities is attributed to the payment of Township Hall bond obligations, payment of installment contracts for the pumper fire truck and the fire hall building addition, with the largest single decrease due to payment for road construction work to the Marquette County Road Commission in the amount of \$64,930.

**TOWNSHIP OF NEGAUNEE, MICHIGAN**  
**Management's Discussion and Analysis – Continued**  
**MARCH 31, 2008**

The following table shows the changes of the net assets (in thousands of dollars) as of March 31, 2008.

**Negaunee Township - Change in Net Assets**

(In 000's)	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>3/31/08</u>	<u>3/31/07</u>	<u>3/31/08</u>	<u>3/31/07</u>	<u>3/31/08</u>	<u>3/31/07</u>
<u>Program Revenues</u>						
Charges for Services	\$ .	\$ 5	\$378	\$367	\$ 378	\$ 372
Capital Grants and Contributions	7	19			7	19
General Revenue						
Property Taxes	634	587			634	587
Licenses and Permits	5	5			5	5
State-Shared Revenues	208	207			208	207
Interest Earnings	26	22	11	11	37	33
Rentals	13	11			13	11
Miscellaneous	10	8			10	8
Transfers	<19>	—	19	—	—	—
Total Revenues	<u>.884</u>	<u>.864</u>	<u>408</u>	<u>378</u>	<u>1,292</u>	<u>1,242</u>
<u>Program Expenses</u>						
General Government	400	420			400	420
Public Safety	172	158			172	158
Public Works	17	111			17	111
Community and Economic Development	35	43			35	43
Recreation and Culture	15	20			15	20
Interest on Long-Term Debt	45	49			45	49
Water			218	247	218	247
Solid Waste Disposal	—	—	185	155	185	155
Total Expenses	<u>684</u>	<u>801</u>	<u>403</u>	<u>402</u>	<u>1,087</u>	<u>1,203</u>
Change in Net Assets	<u>\$200</u>	<u>\$ 63</u>	<u>\$ 5</u>	<u>\$&lt;24&gt;</u>	<u>\$ 205</u>	<u>\$ 39</u>

The Township's net assets continue to remain healthy. With new residents moving into the Township, either through the sale of homes or new construction, it is anticipated revenue from governmental activities and business-type activities will increase in the future. However, with an increase in interest rates and economic downturns, including declining home construction and sales, it is felt revenue increases will continue to be moderate when compared to prior years.

**TOWNSHIP OF NEGAUNEE, MICHIGAN**  
**Management's Discussion and Analysis – Continued**  
MARCH 31, 2008

GOVERNMENTAL ACTIVITIES

The net assets for the Township's governmental activities increased by \$204,541 for the year ended March 31, 2008. Total revenues from governmental activities were \$884,147, while total expenses were \$684,297 and transfers were \$19,127.

BUSINESS-TYPE ACTIVITIES

Negaunee Township's business-type activities consist of the Water Fund and the Solid Waste Fund.

The Township provides water to more than 400 Township residences and businesses. Individuals are charged for the service based on total water consumption. Revenues from water sales, grants and other revenue totaled \$200,858, while expenses incurred were \$206,968, resulting in an operating loss of \$6,110; however, the loss includes depreciation expense of \$101,182.

The Solid Waste Fund provides for the disposal of solid waste. In excess of 1,100 Township residences are billed quarterly for the service, while other Township residents can dispose of waste based on tonnage. Tipping fees and quarterly invoices generated revenues of \$176,926, while expenses incurred were \$185,194, resulting in operating loss of \$8,268. Due to the operating loss, fees were increased from \$30 to \$36 on a quarterly basis in order to generate additional revenue.

TOWNSHIP FUNDS

As the Township of Negaunee, Michigan completed the fiscal year as of March 31, 2008, its Governmental Funds (as presented in the balance sheet) reported combined fund balances of \$746,383, a decrease of \$81,861 from April 1, 2007. The Fire Fund, Road Fund, and Nonmajor Governmental Funds reported a combined \$71,452, while the General Fund, Community Building Fund, and Debt Service Special Assessment Fund reported expenditures over revenue of \$153,313. Capital outlay was the main reason for the deficits in the General and Community Building Funds as a result of the General Fund assuming the portion of the building previously included in the Water Fund and the Community Building work to construct the new ball fields.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the course of the year, the Township Board amended the General Fund budget to take into account events taking place during the fiscal year. The amendments resulted in a net increase of \$0. However, actual revenues were \$75,484 greater than actual expenditures.

Despite the budget amendment, variances to the General Fund budget took place. The main variances were due to increased expenditure for capital outlay resulting from the General Fund assuming the portion of the building previously included in the Water Fund.

**TOWNSHIP OF NEGAUNEE, MICHIGAN**  
**Management's Discussion and Analysis – Continued**  
**MARCH 31, 2008**

GENERAL FUND BUDGETARY HIGHLIGHTS - Continued

It is the intent of Negaunee Township personnel to work closely to monitor the 2008-2009 budget and seek professional assistance to help minimize any budget variances.

CAPITAL ASSET AND DEBT ADMINISTRATION

As of March 31, 2008, the Township of Negaunee, Michigan had \$3,760,779 invested in a variety of capital assets including land, buildings, machinery and equipment (including fire equipment), infrastructure (including water lines) and equity in the Marquette County Solid Waste Management Authority. This is down by \$16,371 from the balance of \$3,777,150 at fiscal year end 2007 and is mainly attributed to increased depreciation of \$185,005. In addition the Township continues to invest significant funds in roads within the Township. However, these assets are not reported as assets of Negaunee Township, but rather they are the property of the Marquette County Road Commission.

A breakdown of the Capital Assets (in thousands of dollars) is shown below.

**Negaunee Township Capital Assets (Net of Depreciation)**

(In 000's)	Governmental Activities		Business-Type Activities		Total Primary Government	
	3/31/08	3/31/07	3/31/08	3/31/07	3/31/08	3/31/07
Capital Assets						
Land	\$ 56	\$ 56	\$ 35	\$ 35	\$ 91	\$ 91
Land Improvements	107	109			107	109
Construction in Progress	269	137			269	137
Infrastructure			2,225	2,301	2,225	2,301
Equity In Marquette County Solid Waste Management Authority	73	73			73	73
Buildings	719	667		80	719	747
Machinery and Equipment	<u>229</u>	<u>256</u>	<u>48</u>	<u>63</u>	<u>277</u>	<u>319</u>
Governmental Activities Total Capital Assets (Net of Depreciation)	<u>\$1,453</u>	<u>\$1,298</u>	<u>\$2,308</u>	<u>\$2,479</u>	<u>\$3,761</u>	<u>\$3,777</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Similar to the last several fiscal periods, cuts to Michigan State Revenue Sharing continue to be a concern to Negaunee Township. With decreased funds the Township continues to watch all budgets very closely and take the necessary steps to minimize expenditures whenever possible.

In preparing the 2008-2009 Budget, the Township Board reviewed year-to-date data for all funds, along with past budget data. Every attempt has been made to develop realistic fund budgets from both the revenue and expenditure/expense perspective.



**TOWNSHIP OF NEGAUNEE, MICHIGAN**  
**Management's Discussion and Analysis – Continued**  
MARCH 31, 2008

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES - Continued

The Water Fund and Solid Waste Fund operate as proprietary funds. In order to prevent net operating losses from occurring, the Board monitors these funds for potential rate increases to offset any perceived budget shortfalls.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of Negaunee Township's finances and to show the Township's accountability for the money it receives.

If you have any questions about this report or need additional information, we welcome you to contact the following:

Negaunee Township  
35 East M-35  
Negaunee, MI 49866  
(906) 475-7869  
[www.NegauneeTownship.org](http://www.NegauneeTownship.org)

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Board of Trustees  
Negaunee Township  
Marquette County, Michigan

## INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Negaunee Township, as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's Board. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Negaunee Township, as of March 31, 2008 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 7, 2008, on our consideration of Negaunee Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

## INDEPENDENT AUDITOR'S REPORT – Continued

The management's discussion and analysis and budgetary comparison information (identified in the table of contents) are not a required part of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Negaunee Township's basic financial statements. The accompanying required supplemental information and other supplemental information, as identified in the table of contents, are not a required part of the basic financial statements. The required supplemental information is presented for the purpose of additional analysis. The required supplemental information and the other supplemental information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
Cowell & Associates PC  
Certified Public Accountants  
Marquette, Michigan

July 7, 2008

**COWELL & LaPOINTE, PC**

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**Board of Trustees  
Negaunee Township  
Marquette County, Michigan**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Negaunee Township as of and for the year ended March 31, 2008, which collectively comprise Negaunee Township's basic financial statements and have issued our report thereon dated July 7, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and with standards prescribed by the State Treasurer.

### INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered Negaunee Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for expressing an opinion on the effectiveness of Negaunee Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Negaunee Township's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Negaunee Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Negaunee Township's financial statements that is more than inconsequential will not be prevented or detected by Negaunee Township's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Negaunee Township's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We consider the following deficiencies described in the Internal Control Communication and Report of Comments and Recommendations to be significant deficiencies in internal control over financial reporting that we also consider to be material weaknesses, as defined above.

Findings 2008-1, 2008-2

## REPORT ON COMPLIANCE AND ON INTERNAL CONTROL - Continued

### COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Negaunee Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed the following instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the Internal Control Communication and Report of Comments and Recommendations.

#### Finding 2008-3

We noted certain matters that we reported to the management of Negaunee Township in the Internal Control Communication and Report of Comments and Recommendations dated July 7, 2008.

Negaunee Township's response to the findings identified in our audit is described in the accompanying Internal Control Communication and Report of Comments and Recommendations. We did not audit Negaunee Township's response and, accordingly, we express no opinion on it.

This report is intended for the information of management, others within the organization, and the Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

*Cowell & LaPointe, PC*  
Certified Public Accountants  
Marquette, Michigan

July 7, 2008

# NEGAUNEE TOWNSHIP

## STATEMENT OF NET ASSETS March 31, 2008

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash on hand and in bank	\$ 717,810	\$ 337,160	\$ 1,054,970
Certificates of deposit	59,927	49,392	109,319
Prepaid expenses	9,388	938	10,326
Receivables:			
Accounts	9,786	13,360	23,146
Interest	1,185	186	1,371
Special assessments	46,627	93,621	140,248
Taxes	39,995		39,995
Due from other governmental units	8,361	3,040	11,401
Inventory		2,098	2,098
Capital assets - net	1,452,744	2,308,035	3,760,779
<b>Total assets</b>	<b>\$ 2,345,823</b>	<b>\$ 2,807,830</b>	<b>\$ 5,153,653</b>
<b>Liabilities</b>			
Accounts payable	\$ 71,933	\$ 15,539	\$ 87,472
Security deposits payable	3,693		3,693
Interest payable	14,687	1,837	16,524
Due to other governmental units	10,050		10,050
Interfund payable	10,081	(10,081)	
Long-term liabilities			
Due within one year-			
Bonds and notes payable	148,513	56,000	204,513
Due in more than one year-			
Compensated absences	6,861	1,363	8,224
Bonds and notes payable	705,848	149,000	854,848
<b>Total liabilities</b>	<b>971,666</b>	<b>213,658</b>	<b>1,185,324</b>
<b>Net assets</b>			
Investment in capital assets - net of related debt	778,556	2,103,035	2,881,591
Restricted for:			
Debt service		112,282	112,282
Unrestricted	595,601	378,855	974,456
<b>Total net assets</b>	<b>1,374,157</b>	<b>2,594,172</b>	<b>3,968,329</b>
<b>Total liabilities and net assets</b>	<b>\$ 2,345,823</b>	<b>\$ 2,807,830</b>	<b>\$ 5,153,653</b>

See accompanying notes to financial statements.

**NEGAUNEE TOWNSHIP**

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED MARCH 31, 2008

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities						
General government	\$ 399,941	\$ 32	\$ 7,151	\$ (392,758)	\$	\$ (392,758)
Public safety	172,248			(172,248)		(172,248)
Public works	17,649			(17,649)		(17,649)
Community and economic development	35,142			(35,142)		(35,142)
Recreation and culture	14,625			(14,625)		(14,625)
Interest on long-term debt	44,692			(44,692)		(44,692)
Total governmental activities	<u>684,297</u>	<u>32</u>	<u>7,151</u>	<u>(677,114)</u>		<u>(677,114)</u>
Business-type activities						
Water	217,611	200,858			(16,753)	(16,753)
Solid waste disposal	185,194	176,926			(8,268)	(8,268)
Total business-type activities	<u>402,805</u>	<u>377,784</u>			<u>(25,021)</u>	<u>(25,021)</u>
Total primary government	<u>\$ 1,087,102</u>	<u>\$ 377,816</u>	<u>\$ 7,151</u>	(677,114)	(25,021)	(702,135)
General revenues						
Property taxes				634,085		634,085
Licenses and permits				4,473		4,473
State-shared revenues				208,165		208,165
Interest earnings				25,922	10,575	36,497
Rentals				13,268		13,268
Miscellaneous				10,188		10,188
Transfers				(19,127)	19,127	
Total general revenues				<u>876,974</u>	<u>29,702</u>	<u>906,676</u>
Change in net assets				199,860	4,681	204,541
Net assets - April 1, 2007				<u>1,174,297</u>	<u>2,589,491</u>	<u>3,763,788</u>
Net assets - March 31, 2008				<u>\$ 1,374,157</u>	<u>\$ 2,594,172</u>	<u>\$ 3,968,329</u>

See accompanying notes to financial statements.

**NEGAUNEE TOWNSHIP**

**GOVERNMENTAL FUNDS**

BALANCE SHEET

FOR THE YEAR ENDED MARCH 31, 2008

	General	Community Building	Fire	Road	Debt Service Special Assessment	Nonmajor Governmental	Total Governmental
<b>Assets</b>							
Cash on hand and in bank	\$ 100,425	\$ 180,520	\$ 193,888	\$ 179,470	\$ 32,242	\$ 31,265	\$ 717,810
Certificates of deposit			59,927				59,927
Receivables:							
Accounts	9,454						9,454
Interest			626	559			1,185
Special assessments					46,627		46,627
Taxes	7,673	10,963	15,629	5,730			39,995
Prepaid expenditures	1,875	1,563	5,950				9,388
Due from other funds	2,175					22,634	24,809
Due from other governmental units	6,793				1,568		8,361
<b>Total assets</b>	<b>\$ 128,395</b>	<b>\$ 193,046</b>	<b>\$ 276,020</b>	<b>\$ 185,759</b>	<b>\$ 80,437</b>	<b>\$ 53,899</b>	<b>\$ 917,556</b>
<b>Liabilities and fund balances</b>							
<b>Liabilities</b>							
Accounts payable	\$ 4,253	\$ 2,148	\$ 602	\$ 64,930	\$	\$	\$ 71,933
Security deposits payable		3,693					3,693
Due to other funds	27,402	16		106	6,730	304	34,558
Due to other governmental units	10,050						10,050
Deferred revenue	4,312				46,627		50,939
<b>Total liabilities</b>	<b>46,017</b>	<b>5,857</b>	<b>602</b>	<b>65,036</b>	<b>53,357</b>	<b>304</b>	<b>171,173</b>
<b>Fund balances</b>							
Reserved for							
Capital projects						22,634	22,634
Debt service					27,080		27,080
Prepaid expenditures	1,875	1,563	5,950				9,388
Other purposes		185,626	269,468	120,723		30,961	606,778
Unreserved	80,503						80,503
<b>Total fund balances</b>	<b>82,378</b>	<b>187,189</b>	<b>275,418</b>	<b>120,723</b>	<b>27,080</b>	<b>53,595</b>	<b>746,383</b>
<b>Total liabilities and fund balances</b>	<b>\$ 128,395</b>	<b>\$ 193,046</b>	<b>\$ 276,020</b>	<b>\$ 185,759</b>	<b>\$ 80,437</b>	<b>\$ 53,899</b>	<b>\$ 917,556</b>

See accompanying notes to financial statements.



**NEGAUNEE TOWNSHIP**

**RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO  
GOVERNMENTAL NET ASSETS**

March 31, 2008

**Total Governmental Fund Balances** **\$ 746,383**

Amounts reported for governmental activities in the statement of net assets  
are different because:

Capital assets used in governmental activities are not financial resources  
and are not reported in the funds.

The cost of the capital assets is

**\$ 2,091,902**

Accumulated depreciation is

**(639,158)**

**1,452,744**

Special assessment receivables are expected to be collected over several  
years and are not available to pay for current year expenditures

**46,627**

Accounts receivable are expected to be collected over several years and  
are not available to pay for current year expenditures

**4,312**

Interest payable used in governmental activities are not payable from  
current resources and therefore, are not reported in the governmental funds

**(14,687)**

Long term liabilities that are not due and payable in the current period and  
are not reported in the funds:

Bonds and notes payable

**(854,361)**

Compensated absences

**(6,861)**

**Net Assets of Governmental Activities**

**\$ 1,374,157**

See accompanying notes to financial statements.

**NEGAUNEE TOWNSHIP**

**GOVERNMENTAL FUNDS**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED MARCH 31, 2008**

	General	Community Building	Fire	Road	Debt Service Special Assessment	Nonmajor Governmental	Total Governmental
<b>Revenues</b>							
Taxes and penalties	\$ 146,679	\$ 161,214	\$ 214,439	\$ 84,309	\$	\$ 27,444	\$ 634,085
Licenses and permits	4,473						4,473
State grants	207,734					431	208,165
Charges for services	32						32
Interest and rentals	6,878	22,791	3,879	4,146	1,496		39,190
Other revenue	4,578	322	976		16,278		22,154
<b>Total revenues</b>	<u>370,374</u>	<u>184,327</u>	<u>219,294</u>	<u>88,455</u>	<u>17,774</u>	<u>27,875</u>	<u>908,099</u>
<b>Expenditures</b>							
Current							
General government	212,887	87,373					300,260
Public safety	1,737		133,883			601	136,221
Public works	13,523			595			14,118
Community & economic development	28,114					281	28,395
Recreation and culture		7,957					7,957
Other	53,030	28,379	4,797		250		86,456
Capital outlay	87,202	132,393					219,595
Debt service	30,238		48,371	75,644	23,578		177,831
<b>Total expenditures</b>	<u>426,731</u>	<u>256,102</u>	<u>187,051</u>	<u>76,239</u>	<u>23,828</u>	<u>882</u>	<u>970,833</u>
<b>Excess of revenues over (under) expenditures</b>	(56,357)	(71,775)	32,243	12,216	(6,054)	26,993	(62,734)
<b>Other financing sources-</b>							
Transfers to other funds	(19,127)						(19,127)
<b>Excess of revenues and other financing sources over (under) expenditures</b>	(75,484)	(71,775)	32,243	12,216	(6,054)	26,993	(81,861)
<b>Fund balance - April 1, 2007</b>	<u>157,862</u>	<u>258,964</u>	<u>243,175</u>	<u>108,507</u>	<u>33,134</u>	<u>26,602</u>	<u>828,244</u>
<b>Fund balance - March 31, 2008</b>	<u>\$ 82,378</u>	<u>\$ 187,189</u>	<u>\$ 275,418</u>	<u>\$ 120,723</u>	<u>\$ 27,080</u>	<u>\$ 53,595</u>	<u>\$ 746,383</u>

See accompanying notes to financial statements.

**NEGAUNEE TOWNSHIP**

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED MARCH 31, 2008

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ (81,861)</b>
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Amounts reported for governmental activities in the statement of activities  
are different because:

Governmental funds report capital outlays as expenditures; in the  
statement of activities, these costs are allocated over their  
estimated useful lives as depreciation

Depreciation expense	\$ (64,817)	
Capital outlay	<u>219,595</u>	154,778

Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid	1,333
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Payments of note principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	131,806
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Bond principal payment absorbed by Marquette County Solid Waste Management Authority included in the statement of activities	7,151
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Special assessments are included in the statement of activities when earned; they are not reported in the funds until collected or collectible within 60 days of year end	(16,278)
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Accounts receivable are included in the statement of activities when earned; they are not reported in the funds until collected or collectible within 60 days of year end	4,312
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Increases in compensated absences are reported as expenditures when financial resources are used in the governmental funds	<u>(1,381)</u>
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<b>Change in Net Assets of Governmental Activities</b>	<b><u><u>\$ 199,860</u></u></b>
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See accompanying notes to financial statements.

**NEGAUNEE TOWNSHIP**  
**PROPRIETARY FUNDS**  
**STATEMENT OF NET ASSETS**  
March 31, 2008

	Water Fund	Solid Waste Disposal Fund	Total
<b>Assets</b>			
Current assets			
Cash on hand and in bank	\$ 266,148	\$ 71,012	\$ 337,160
Certificates of deposit	49,392		49,392
Prepaid expenses	625	313	938
Accounts receivable	4,619	8,741	13,360
Interest receivable	186		186
Special assessments receivable	13,374		13,374
Due from other governmental units	115	2,925	3,040
Interfund receivables	5,010	5,071	10,081
Inventory		2,098	2,098
Total current assets	<u>339,469</u>	<u>90,160</u>	<u>429,629</u>
Noncurrent assets			
Special assessments receivable	80,247		80,247
Capital assets, net of accumulated depreciation	<u>2,308,035</u>		<u>2,308,035</u>
Total noncurrent assets	<u>2,388,282</u>		<u>2,388,282</u>
Total assets	<u><u>\$ 2,727,751</u></u>	<u><u>\$ 90,160</u></u>	<u><u>\$ 2,817,911</u></u>
<b>Liabilities</b>			
Current liabilities			
Accounts payable	\$ 2,670	\$ 12,869	\$ 15,539
Interest payable	1,837		1,837
Current portion of noncurrent liabilities	<u>56,000</u>		<u>56,000</u>
Total current liabilities	<u>60,507</u>	<u>12,869</u>	<u>73,376</u>
Noncurrent liabilities			
Compensated absences	548	815	1,363
Bonds payable	<u>149,000</u>		<u>149,000</u>
Total noncurrent liabilities	<u>149,548</u>	<u>815</u>	<u>150,363</u>
Total liabilities	<u>210,055</u>	<u>13,684</u>	<u>223,739</u>
<b>Net assets</b>			
Invested in capital assets--net of related debt	2,103,035		2,103,035
Restricted	112,282		112,282
Unrestricted	<u>302,379</u>	<u>76,476</u>	<u>378,855</u>
Total net assets	<u>2,517,696</u>	<u>76,476</u>	<u>2,594,172</u>
Total liabilities and net assets	<u><u>\$ 2,727,751</u></u>	<u><u>\$ 90,160</u></u>	<u><u>\$ 2,817,911</u></u>

See accompanying notes to financial statements.

**NEGAUNEE TOWNSHIP**

**PROPRIETARY FUNDS**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED MARCH 31, 2008**

	<u>Water Fund</u>	<u>Solid Waste Disposal Fund</u>	<u>Total</u>
<b>Operating revenues</b>			
Water sales	\$ 165,189	\$	\$ 165,189
Garbage disposal services		175,378	175,378
Installation and other miscellaneous charges	<u>35,669</u>	<u>1,548</u>	<u>37,217</u>
Total operating revenues	200,858	176,926	377,784
<b>Operating expenses</b>			
Personal services	41,877	16,760	58,637
Professional and contractual services	5,734	150,578	156,312
Office supplies and postage	6,855	6,299	13,154
Insurance	4,072	71	4,143
Audit	2,280	304	2,584
Communications	4,484		4,484
Transportation	3,569	192	3,761
Payroll taxes	3,472	1,268	4,740
Employee benefits	14,364	8,451	22,815
Repairs and maintenance	7,383		7,383
Utilities	10,326		10,326
Miscellaneous expenses	1,370	1,271	2,641
Depreciation	<u>101,182</u>		<u>101,182</u>
Total operating expenses	<u>206,968</u>	<u>185,194</u>	<u>392,162</u>
<b>Operating income (loss)</b>	(6,110)	(8,268)	(14,378)
<b>Nonoperating revenues (expenses)</b>			
Interest income	10,566	9	10,575
Interest expense	<u>(10,643)</u>		<u>(10,643)</u>
<b>Total nonoperating revenues (expenses)</b>	<u>(77)</u>	<u>9</u>	<u>(68)</u>
<b>Income (loss) before transfers in</b>	(6,187)	(8,259)	(14,446)
<b>Transfers in</b>	<u>19,127</u>		<u>19,127</u>
<b>Change in net assets</b>	12,940	(8,259)	4,681
<b>Total net assets - April 1, 2007</b>	<u>2,504,756</u>	<u>84,735</u>	<u>2,589,491</u>
<b>Total net assets - March 31, 2008</b>	<u><u>\$ 2,517,696</u></u>	<u><u>\$ 76,476</u></u>	<u><u>\$ 2,594,172</u></u>

See accompanying notes to financial statements.

**NEGAUNEE TOWNSHIP**

**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED MARCH 31, 2008**

	Water Fund	Solid Waste Disposal Fund	Total
<b>Cash flows from operating activities</b>			
Cash charges for services	\$ 205,624	\$ 172,083	\$ 377,707
Cash payments to employees for services	(42,589)	(16,574)	(59,163)
Cash payments to suppliers for goods and services	(56,423)	(161,644)	(218,067)
<b>Net cash provided (used) by operating activities</b>	106,612	(6,135)	100,477
<b>Cash flows from capital and related financing activities</b>			
Payments on bonds	(61,000)		(61,000)
Purchase of fixed assets	(17,235)		(17,235)
Interest paid on bonds	(13,336)		(13,336)
<b>Net cash provided (used) by capital and related financing activities</b>	(91,571)		(91,571)
<b>Cash flows from investing activities</b>			
Interest income received	10,573	9	10,582
<b>Net cash provided (used) by investing activities</b>	10,573	9	2,132
<b>Net increase (decrease) in cash</b>	25,614	(6,126)	11,038
<b>Cash - April 1, 2007</b>	240,534	77,138	317,672
<b>Cash - March 31, 2008</b>	\$ 266,148	\$ 71,012	\$ 337,160
<b>Reconciliation of operating income to net cash provided by operating activities</b>			
Operating income (loss)	\$ (6,110)	\$ (8,268)	\$ (14,378)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation	101,182		101,182
Transfer in from general fund	19,127		19,127
Fixed assets transferred to general fund	87,202		87,202
Changes in assets and liabilities:			
(Increase) decrease in certificates of deposit	(2,415)		(2,415)
(Increase) decrease in prepaid expenses	1,875	937	2,812
(Increase) decrease in accounts receivable	4,726	(4,033)	693
(Increase) decrease in special assessments receivable	16,718		16,718
(Increase) decrease in due from other governmental units	40	(810)	(770)
(Increase) decrease in interfund receivables	(4,323)		(4,323)
(Increase) decrease in inventory		(2,098)	(2,098)
Increase (decrease) in accounts payable	836	7,951	8,787
Increase (decrease) in interfund payables	(111,534)		(111,534)
Increase (decrease) in compensated absences	(712)	186	(526)
<b>Net cash provided (used) by operating activities</b>	\$ 106,612	\$ (6,135)	\$ 100,477
See accompanying notes to financial statements.			

**NEGAUNEE TOWNSHIP**  
**FIDUCIARY FUNDS**  
STATEMENT OF NET ASSETS  
FOR THE YEAR ENDED MARCH 31, 2008

	<u>Pension Trust Fund</u>	<u>Property Tax Collection Fund</u>	<u>Trust and Agency Fund</u>
<b>Assets</b>			
Cash and cash equivalents	\$	\$ 332	\$ 200
Investments--mutual funds--at fair value	<u>128,794</u>		
Total assets	<u><u>\$ 128,794</u></u>	<u><u>\$ 332</u></u>	<u><u>\$ 200</u></u>
<b>Liabilities</b>			
Due to other funds	\$	\$ 332	
Due to other governmental units			<u>200</u>
Total liabilities		332	200
<b>Net assets</b>			
Held in trust for pension benefits	<u>128,794</u>		
Total liabilities and net assets	<u><u>\$ 128,794</u></u>	<u><u>\$ 332</u></u>	<u><u>\$ 200</u></u>

See accompanying notes to financial statements.

**NEGAUNEE TOWNSHIP**  
**FIDUCIARY FUNDS**  
STATEMENT OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED MARCH 31, 2008

	<u>Pension Trust Fund- Defined Benefit</u>
<b>Additions</b>	
Contributions	
Employer	\$ 13,929
Plan members	<u>4,475</u>
Total contributions	18,404
Investment earnings/(losses)	<u>(5,666)</u>
Total additions	12,738
Net assets--April 1, 2007	<u>116,056</u>
Net assets--March 31, 2008	<u><u>\$ 128,794</u></u>

See accompanying notes to financial statements.



## **NEGAUNEE TOWNSHIP**

### **NOTES TO FINANCIAL STATEMENTS**

MARCH 31, 2008

#### **NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Negaunee Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Negaunee Township.

##### **Reporting Entity**

Negaunee Township is governed by an elected five-member board. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Township's reporting entity, and which organizations are legally separate, component units of the Township. Based on the application of the criteria, the Township does not contain any component units.

##### **Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

## NEGAUNEE TOWNSHIP

### NOTES TO FINANCIAL STATEMENTS - Continued MARCH 31, 2008

#### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

##### **Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures related to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, state-shared revenue, licenses and permits, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Negaunee Township reports the following major governmental funds:

The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

The Community Building Fund accounts for the support and operation of the community center and Township recreation plan.

The Fire Fund accounts for fire protection by special assessment under Act 33, 1951, as amended.

## NEGAUNEE TOWNSHIP

### NOTES TO FINANCIAL STATEMENTS - Continued MARCH 31, 2008

#### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

##### Measurement Focus, Basis of Accounting and Financial Statement Presentation - Continued

The Road Fund accounts for maintenance and improvement to county roads within Negaunee Township.

The Debt Service Special Assessment Fund accounts for special assessments received and bond payments paid for a road project.

Negaunee Township reports the following major proprietary funds:

The Water Fund accounts for the operating activities of the Township's water utilities services, including the repair and maintenance for its water distribution system.

The Solid Waste Disposal Fund accounts for the operating activities for the Township's solid waste disposal services.

Additionally, the Township reports the following fund types:

The Pension Trust Fund accounts for the activities of the Township's pension plan for eligible employees.

The Trust and Agency Fund accounts for the collection and disbursement of delinquent taxes and deposits due to other units and individuals.

The Property Tax Collection Fund accounts for collection and disbursement of current property tax collections.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to the same limitations. The government has elected to also follow subsequent private-sector standards issued after November 30, 1989 for its' business-type activities.

## NEGAUNEE TOWNSHIP

### NOTES TO FINANCIAL STATEMENTS - Continued MARCH 31, 2008

#### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

##### **Measurement Focus, Basis of Accounting and Financial Statement Presentation** - Continued

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges for the government's water usage of fire hydrants. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds relate to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

##### **Assets, Liabilities, and Net Assets or Equity**

**Deposits and Investments** - Cash and cash equivalents include cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income is generally allocated to each fund using a weighted average of the principal balance.

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

## NEGAUNEE TOWNSHIP

### NOTES TO FINANCIAL STATEMENTS - Continued MARCH 31, 2008

#### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

##### Assets, Liabilities, and Net Assets or Equity - Continued

##### **Receivables and Payables** - Continued

The Township property tax is levied, due, and becomes a lien each December 1<sup>st</sup> based on property values located in the Township as of the preceding December 31<sup>st</sup>. The Township collects property taxes through the last day of February in the succeeding year. On March 1 of the subsequent year, delinquent real taxes are returned to Marquette County for collection. Delinquent personal property taxes remain with the Township and are to be collected by the Treasurer.

The rate to finance general government services for the year ended March 31, 2008 was 1.2275 per \$1,000 of taxable valuation of \$93,106,737. Also, an additional 1.7537 per \$1,000 of taxable valuation was levied for community building operations, 2.50 per \$1,000 of real property taxable valuation of \$86,781,737 was levied for fire protection, and .9172 per \$1,000 taxable valuation was levied for roads. These amounts are recognized in the respective General and Special Revenue Fund financial statements as taxes receivable—current or as tax revenue.

**Restricted Assets** - The revenue bonds of the enterprise funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets.

**Inventories and Prepaid Costs** – Inventories are valued at cost, on a first-in, first-out basis. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid costs in both government-wide and fund financial statements.

**Capital Assets** - Capital assets, which include land, buildings, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of 2 years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

## NEGAUNEE TOWNSHIP

### NOTES TO FINANCIAL STATEMENTS - Continued MARCH 31, 2008

#### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

##### Assets, Liabilities, and Net Assets or Equity - Continued

##### **Capital Assets** – Continued

Buildings, equipment, and infrastructure are depreciated using the straight-line method over the following useful lives:

Land improvements	20 years
Buildings and other additions	15 - 60 years
Machinery and other equipment	3 - 20 years
Water and sewer system	20 - 75 years

**Compensated Absences (Vacation and Sick Leave)** - It is the Township's policy to permit employees, depending on their years of service, to accumulate 5 to 20 days of unused vacation. Additionally, the Township allows employees to accumulate sick leave of which the employee will be paid one-half of their accrued sick leave for up to 30 days upon retirement. All vacation pay is accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. Sick pay is accrued for employees eligible to retire that will be paid out when they retire. A liability for these amounts is reported in governmental funds only for employee retirements as of year end.

**Long-Term Obligations** - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Comparative Data/Reclassifications** - Comparative data is not included in the Township's financial statements.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

## **NEGAUNEE TOWNSHIP**

### **NOTES TO FINANCIAL STATEMENTS - Continued** **MARCH 31, 2008**

#### **NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Information** - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the Township's general and special revenue funds. The budget document presents information by fund, function, department, and line items. The legal level on budgetary control adopted by the governing body is the line item level. All annual appropriations lapse at fiscal year end.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements.

1. Prior to the beginning of the fiscal year, the Township Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to April 1, the budget is legally enacted by resolution.
4. Any revision that alters the original budget of any fund must be approved by the Township Board.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.
6. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles.
7. Budget appropriations lapse at the end of each fiscal year.
8. Budgeted amounts are as originally adopted, or as amended by the Township Board. Individual amendments were not material in relation to the original budget.

**Excess of Expenditures Over Appropriations in Budgeted Funds** - During the year, Negaunee Township incurred expenditures in certain budgeted funds, which were in excess of the amounts appropriated, as follows:

## NEGAUNEE TOWNSHIP

### NOTES TO FINANCIAL STATEMENTS - Continued MARCH 31, 2008

#### NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Continued

##### Excess of Expenditures Over Appropriations in Budgeted Funds - Continued

<u>Fund</u>	<u>Appropriated</u>	<u>Expended</u>	<u>Variance</u>
General Fund	\$376,035	\$445,858	\$ <69,823>
Special Revenue Funds:			
Liquor	\$ 500	\$ 601	\$ <101>
Community Building	\$161,500	\$256,102	\$<94,602>
Enterprise Funds:			
Water	\$210,430	\$217,611	\$< 7,181>
Debt Service Fund – no budget			

The Uniform Budgeting and Accounting Act, PA 2 of 1968, as amended, (MCL 141.421 et seq), provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated.

#### NOTE C - DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes Negaunee Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation; repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchased; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.



## NEGAUNEE TOWNSHIP

### NOTES TO FINANCIAL STATEMENTS - Continued MARCH 31, 2008

#### NOTE C - DEPOSITS AND INVESTMENTS - Continued

The investment policy adopted by the board in accordance with Act 20, PA 1943, is in accordance with state statutory authority.

Michigan law (Section 3, Act 40, PA 1932, as amended) prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

At year-end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total
Cash and cash equivalents	\$ 777,737	\$ 274,270	\$ 532	\$ 1,052,539
Restricted cash		112,282		112,282
Investments			128,794	128,794
	<u>\$ 777,737</u>	<u>\$ 386,552</u>	<u>\$ 129,326</u>	<u>\$ 1,293,615</u>

The breakdown between cash and investments is as follows:

Checking and savings accounts,	
Certificates of deposit	\$ 1,164,521
Investments in mutual funds	128,794
Petty cash and cash on hand	300
	<u>\$ 1,293,615</u>

The deposits of Negaunee Township were reflected in the accounts of bank deposits at \$1,212,182 of which \$449,392 was covered by federal depository insurance and \$762,790 was uninsured and uncollateralized. The mutual funds investments are not included in any category of credit risk.

# NEGAUNEE TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS - Continued MARCH 31, 2008

### NOTE D - CAPITAL ASSETS

Capital asset activity for the current year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated				
Land	\$ 56,312	\$	\$	\$ 56,312
Construction In Progress	136,521	132,393		268,914
Equity in Marquette County Solid Waste Management Authority	<u>73,021</u>	<u>          </u>	<u>          </u>	<u>73,021</u>
Subtotal	<u>265,854</u>	<u>132,393</u>	<u>          </u>	<u>398,247</u>
Capital Assets Being Depreciated				
Land improvements	111,908			111,908
Buildings	1,003,021	89,198		1,092,219
Machinery and Equipment	<u>481,519</u>	<u>17,010</u>	<u>9,001</u>	<u>489,528</u>
Subtotal	<u>1,596,448</u>	<u>106,208</u>	<u>9,001</u>	<u>1,693,655</u>
Less Accumulated Depreciation for				
Land and land improvements	2,417	2,298		4,715
Buildings	335,942	36,931		372,873
Machinery and Equipment	<u>225,977</u>	<u>44,594</u>	<u>9,001</u>	<u>261,570</u>
Subtotal	<u>564,336</u>	<u>83,823</u>	<u>9,001</u>	<u>639,158</u>
Net Capital Assets Being Depreciated	<u>1,032,112</u>	<u>22,385</u>	<u>          </u>	<u>1,054,497</u>
Governmental Activities Capital Total				
Capital Assets – Net of Depreciation	<u>\$1,297,966</u>	<u>\$ 154,778</u>	<u>\$          </u>	<u>\$1,452,744</u>
<b>Business-Type Activities</b>				
Capital Assets Not Being Depreciated				
Land	\$ 34,500	\$	\$	\$ 34,500
Infrastructure	<u>382,039</u>	<u>17,235</u>	<u>          </u>	<u>399,274</u>
Subtotal	<u>416,539</u>	<u>17,235</u>	<u>          </u>	<u>433,774</u>
Capital Assets Being Depreciated				
Buildings	89,198		89,198	
Machinery and Equipment	122,475		17,886	104,589
Infrastructure	<u>3,257,352</u>	<u>          </u>	<u>          </u>	<u>3,257,352</u>
Subtotal	<u>3,469,025</u>	<u>          </u>	<u>107,084</u>	<u>3,361,941</u>
Less Accumulated Depreciation for				
Buildings	9,477		9,477	
Machinery and Equipment	59,766	7,047	10,405	56,408
Infrastructure	<u>1,337,137</u>	<u>94,135</u>	<u>          </u>	<u>1,431,272</u>
Subtotal	<u>1,406,380</u>	<u>101,182</u>	<u>19,882</u>	<u>1,487,680</u>
Net Capital Assets Being Depreciated	<u>2,062,645</u>	<u>&lt;101,182&gt;</u>	<u>87,202</u>	<u>1,874,261</u>
Business-Type Activities Capital Total				
Capital Assets – Net of Depreciation	<u>\$2,479,184</u>	<u>\$&lt;83,947&gt;</u>	<u>\$87,202</u>	<u>\$2,308,035</u>

## NEGAUNEE TOWNSHIP

### NOTES TO FINANCIAL STATEMENTS - Continued MARCH 31, 2008

#### NOTE E - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

At March 31, 2008, interfund balances are as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Fund</u>	<u>Payable</u>
General	\$ 2,175	Brownfield	\$ 304
		Debt service	1,539
		Tax	<u>332</u>
			2,175
Capital Projects	22,634	General	22,634
Water	5,010	General	4,768
		Building	16
		Debt service	120
		Road	<u>106</u>
			5,010
Sanitation	<u>5,071</u>	Debt service	<u>5,071</u>
Total	<u>\$ 34,890</u>	Total	<u>\$ 34,890</u>

#### Interfund transfers

Transfer in to Water Fund	<u>\$19,127</u>
Transfer out from General Fund	<u>\$19,127</u>

#### NOTE F - LONG-TERM DEBT

The Township issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Township. County contractual agreements and installment purchase agreements are also general obligations of the Township. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the Township is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

# NEGAUNEE TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS - Continued MARCH 31, 2008

### NOTE F – LONG-TERM DEBT – Continued

Long-term obligation activity can be summarized as follows:

	Balance April 1, 2007	Issued	Retired	Balance March 31, 2008	Due Within One Year
<b>Governmental activities</b>					
General obligation bonds:					
2002 Township hall addition bonds					
Amount of issue - \$450,000					
Maturity through 2028	\$ 410,000	\$	\$ 10,000	\$ 400,000	\$ 10,000
Special Assessment bonds					
2001 Special Assessment					
Amount of issue - \$200,000					
Maturing through 2011	85,000		20,000	65,000	20,000
Marquette County Solid Waste					
Management Authority Bonds					
Amount of issue - \$73,523					
Additional - \$79,898					
Maturing through 2010	37,675		7,151	30,524	14,521
Installment purchase agreements:					
Pumper fire truck lease payable					
Amount of issue - \$200,850					
Maturing through 2012	111,084		20,224	90,860	21,164
2003 fire building note payable					
Amount of issue - \$202,695					
Maturing through 2015	154,769		16,652	138,117	17,898
County contractual obligations:					
Road improvement contracts					
Co. Rd. JA					
Amount of issue - \$204,227					
Additional - \$96,338					
Maturing through 2010	194,790		64,930	129,860	64,930
Total bond obligations	993,318		138,957	854,361	148,513
Other long-term obligations:					
Compensated absences	5,480	6,073	4,692	6,861	
Total governmental activities	<u>\$ 998,798</u>	<u>\$ 6,073</u>	<u>\$ 143,649</u>	<u>\$ 861,222</u>	<u>\$ 148,513</u>

# NEGAUNEE TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS - Continued MARCH 31, 2008

### NOTE F- LONG-TERM DEBT - Continued

	Balance April 1, 2007	Issued	Retired	Balance March 31, 2008	Due Within One Year
<b>Business-type activities</b>					
General revenue bonds:					
1989 Water revenue refunding bonds					
Amount of issue - \$550,000					
Maturing through 2010	\$ 140,000	\$	\$45,000	\$ 95,000	\$ 45,000
2002 Water tower improvement bonds					
Amount of issue - \$50,000					
Maturing through 2013	29,000		5,000	24,000	
Special Assessment bonds					
2005 Special Assessment					
Amount of issue - \$105,000					
Maturing through 2016	97,000		11,000	86,000	11,000
Total bonds payable	266,000		61,000	205,000	56,000
Other long-term obligations:					
Compensated absences	1,889	2,319	2,845	1,363	
Total business-type activities	<u>\$ 267,889</u>	<u>\$2,319</u>	<u>\$63,845</u>	<u>\$ 206,363</u>	<u>\$ 56,000</u>

Annual debt service requirements to maturity for the above obligations are as follows:

	Governmental Activities			Business-type Activities			
	Principal	Interest	Total	Principal	Interest	Less Loan Credit	Total
2009	153,513	40,036	193,549	56,000	11,631	2,715	64,916
2010	151,239	32,711	183,950	66,000	7,611	6,522	67,089
2011	72,071	25,699	97,770	17,000	3,174		20,174
2012	58,914	22,445	81,359	17,000	2,443		19,443
2013	35,386	19,874	55,260	18,000	1,671		19,671
2014	36,197	18,411	54,608	11,000	1,050		12,050
2015	37,041	16,900	53,941	10,000	625		10,625
2016	15,000	15,340	30,340	10,000	210		10,210
2017	15,000	14,642	29,642				
2018-2022	105,000	59,048	164,048				
2023-2028	175,000	29,017	204,017				
Total	<u>\$ 854,361</u>	<u>\$ 294,123</u>	<u>\$ 1,148,484</u>	<u>\$ 205,000</u>	<u>\$ 28,415</u>	<u>\$ 9,237</u>	<u>\$ 224,178</u>

## **NEGAUNEE TOWNSHIP**

### **NOTES TO FINANCIAL STATEMENTS – Continued** **MARCH 31, 2008**

#### **NOTE G - RISK MANAGEMENT**

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employees injuries (workers' compensation). The Township maintains insurance coverage through the Michigan Township Participating Plan. This Plan operates as an insurance purchasing pool for local units of government in Michigan. The Plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Township. Settled claims have not exceeded this coverage in any of the past three years.

#### **NOTE H - EMPLOYEE RETIREMENT PLAN**

##### **Defined Benefit Plan**

**Plan Description** – Negaunee Township participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers eligible employees of the Township. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to Municipal Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, MI 48917.

**Funding Policy** – The obligation to contribute to and maintain the system for these employees was established with the Township and requires a contribution from the employees of 2.57% of gross wages for eligible employees.

**Annual Pension Costs** – For the year ended March 31, 2008, Negaunee Township's annual pension cost of \$13,930 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2007, using the entry age normal cost method. Significant actuarial assumptions used include: (1) an eight percent (8%) investment rate of return; (2) projected salary increases of 4.5 to 12.90 percent per year; and (3) 3 to 4 percent per year cost of living adjustments. Both determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percent of payroll on a closed basis. The remaining amortization period is 28 years.

## NEGAUNEE TOWNSHIP

### NOTES TO FINANCIAL STATEMENTS – Continued MARCH 31, 2008

#### NOTE H - EMPLOYEE RETIREMENT PLAN - Continued

##### Annual Pension Costs – Continued

The second year trend information as of December 31, 2007 follows (three year trend information not available since 2006 was the first year of the plan):

	<u>2006</u>	<u>2007</u>
Annual pension cost	\$ 3,069	\$ 22,980
Percentage of APC contributed	100%	100%
Net pension obligation	\$ 3,069	\$ 22,980
Actuarial value of assets	\$102,512	\$129,624
Actuarial accrued liability	\$232,310	\$269,974
Unfunded AAL	\$129,798	\$140,350
Funded ratio	44%	48%
Covered payroll	\$141,936	\$157,568
UAAL as a percentage of covered payroll	91%	89%

#### NOTE I - DEFERRED COMPENSATION PLAN

The Township has a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The assets of the plan were held in trust, (custodial account or annuity contract) as described in IRC Section 457 (g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodian thereof of the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The Administrators are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement 32, plan balances and activities are not reflected in Negaunee Township's financial statements.

#### NOTE J - JOINT VENTURE

##### Marquette County Solid Waste Management Authority

During 1988, Negaunee Township joined 21 other municipalities in the Marquette County Solid Waste Management Authority ("Authority"). The Authority was created pursuant to Act 233 of 1955 to plan for, acquire, construct, finance, operate, maintain, repair and dispose of, whether by sale, lease, or otherwise, an Act 641 landfill, including all improvements, appurtenances, easements, accessory facilities

## NEGAUNEE TOWNSHIP

### NOTES TO FINANCIAL STATEMENTS – Continued MARCH 31, 2008

#### NOTE J - JOINT VENTURE - Continued

##### **Marquette County Solid Waste Management Authority - Continued**

and structures, equipment, and other property part of or incidental to the landfill sufficient to satisfy the requirements of, and function as a solid waste disposal area under Act 641 and to establish and administer procedures providing for the separation, recycling, recovery, and conversion of solid waste to energy and for the disposition of such energy output and disposal at the site of Non-toxic Type II and Type III Solid Waste, to fund all of the above activities, to charge and collect fees in connection with the operation of the landfill and to provide for the reimbursement with receipt of bond proceeds to the City of Marquette and Sands Township of their respective costs and expenses incurred in connection with the establishment and administration of the Solid Waste Authority and the System Facility.

The Authority is governed by a Board of Trustees consisting of one member (who shall be the Chairperson of the Board of Trustees) designated by the Sands Township Supervisor on behalf of the Sands Township, two members designated by the Marquette City Commission, three members designated by the Marquette County Board of Commissioners, and one resident of the City of Marquette appointed by the other six Authority Board members. All decisions of the Board are made by majority vote, consisting of at least four of its members.

The Township's pro-rata share (based on population) of assets, liabilities, and fund equity is 4.2 percent. Summary financial information as of and for the fiscal year ended June 30, 2007, is as follows:

Total Assets	\$13,425,691
Total Liabilities	1,989,798
Total Net Assets	11,435,893
Total Operating Revenues	2,374,922
Total Operating Expenses	2,817,324
Other Revenue (Expenses)	454,175
Capital Contributions	54,248
Change In Net Assets	66,021
Total Joint Venture's Outstanding Long-Term Debt	1,588,702

The City of Marquette has pledged its full faith and credit for the Marquette County Solid Waste Management Authority Bonds, Series 1988. These bonds are payable from the net revenues of the Authority, as well as by each member of the Authority to the extent of their pro rata share of the principal and interest requirements on the bonds.



## **NEGAUNEE TOWNSHIP**

### **NOTES TO FINANCIAL STATEMENTS – Continued** **MARCH 31, 2008**

#### **NOTE J - JOINT VENTURE - Continued**

##### **Marquette County Solid Waste Management Authority - Continued**

The Township is a guarantor by pledging the full faith and credit of the Township for their allocated portion of bonds issued by the Authority in the amount of \$14,155 outstanding at March 31, 2008 at a variable interest rate for 20 years. The Authority allocates and charges as an operating expense annual fixed costs to each participant, including debt requirements of the Authority's bonds, that are guaranteed by the Township. For the year ending March 31, 2008 interest of \$498 is included as sanitation costs in the General Fund.

In addition, bonds were issued to finance the Township's portion of the initial construction costs and site search. Principal and interest of \$8,486 were absorbed by the Authority on these bonds for the year ending March 31, 2008 and the outstanding balance is \$16,369 at March 31, 2008. The Authority has also absorbed the bond payment of \$8,574 for May, 2008. Marquette County issued the Marquette County Solid Waste System Bonds, Series 1991. These bonds are to be paid with a portion of tipping fees designated for bond repayment.

The audited financial statements of the Marquette County Solid Waste Management Authority can be obtained at 600 County Road NP, Marquette, MI 49855.

The Township has included their equity interest of the Authority in the Net Assets on the Statement of Net Assets.

#### **NOTE K – RELATED PARTY**

Negaunee Township uses the services of Moyle Trucking which is owned by a member of the Board of Trustees. The total amount paid for services for the year ending March 31, 2008 was \$7,708.

#### **NOTE L – ROAD CONSTRUCTION AGREEMENTS**

Road construction agreements were signed with the Marquette County Road Commission for future road improvements. Construction to install a temporary bridge on Heritage Road is projected to cost \$29,907 and is expected to be completed in summer, 2008. Construction to improve Buffalo Road for an approximate cost of \$281,610 was approved and will be completed in 2008.

## **NEGAUNEE TOWNSHIP**

### **NOTES TO FINANCIAL STATEMENTS – Continued** **MARCH 31, 2008**

#### **NOTE M – RECREATION FIVE-YEAR PLAN**

The Board approved the first year of a five-year recreation plan which consists of construction for road and softball field work. The bid was approved for \$83,897 and is expected to be completed during 2008.

#### **NOTE N – CAPITAL OUTLAY**

Capital outlay in the governmental funds includes \$87,202 in the general fund. This consists of building and equipment that was previously allocated to the water fund with the intention of having the water fund reimburse the general fund for the original cost. The board voted to move these items back to the general fixed assets. This also resulted in a transfer of funds from the general fund to the water fund of \$19,127, which represents the accumulated depreciation in the water fund over the past several years.

## **REQUIRED SUPPLEMENTAL INFORMATION**

**NEGAUNEE TOWNSHIP**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**FIRE FUND**  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED MARCH 31, 2008

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
<b>Revenues</b>				
Taxes and penalties				
Current property	\$ 199,546	\$ 199,546	\$ 213,567	\$ (14,021)
Delinquent property		14,500	404	14,096
Commercial forest			464	(464)
Penalties and interest			4	(4)
Total taxes and penalties	199,546	214,046	214,439	(393)
Interest income		4,000	3,879	121
Miscellaneous			976	(976)
<b>Total revenues</b>	<b>199,546</b>	<b>218,046</b>	<b>219,294</b>	<b>(1,248)</b>
<b>Expenditures</b>				
Fire wages	35,000	35,500	35,248	252
Secretary wages	800	800		800
Custodian wages	2,000	2,000	1,461	539
Training	6,000	6,000	6,283	(283)
Office supplies	1,000	1,000	929	71
EMS supplies	7,000	7,000	3,638	3,362
Professional services	1,000	1,000	16	984
Operational supplies	29,139	42,150	35,204	6,946
Hydrant	30,000	30,000	30,000	
Membership fees	400	400	323	77
Audit	400	400	380	20
Telephone	400	400	364	36
Communication equipment	6,000	6,000	1,436	4,564
Insurance	12,000	12,000	5,921	6,079
Fuel	1,000	1,250	1,023	227
Mileage	500	3,500	2,444	1,056
Marching/parades	1,200	1,200		1,200
Promotion	1,000	1,750	1,254	496
Utilities	6,000	6,000	5,603	397
Maintenance/repairs	2,000	2,500	2,356	144
Miscellaneous	100	100		100
Interest	8,000	8,000	6,267	1,733
Building principal	16,550	16,800	16,652	148
Fire truck principal and interest	25,452	25,452	25,452	
Social security	2,500	2,850	2,803	47
Unemployment	5	15	11	4
Retirement	100	100	81	19
Hospitalization	500	500		500
Medical	2,000	2,000		2,000
Workmen's comp insurance	1,500	1,379	1,902	(523)
<b>Total expenditures</b>	<b>199,546</b>	<b>218,046</b>	<b>187,051</b>	<b>30,995</b>
<b>Excess of revenues (expenditures)</b>	<b>\$</b>	<b>\$</b>	<b>\$ 32,243</b>	<b>\$ (32,243)</b>

**NEGAUNEE TOWNSHIP**

**REQUIRED SUPPLEMENTAL INFORMATION  
COMMUNITY BUILDING FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED MARCH 31, 2008**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
<b>Revenues</b>				
Taxes and penalties				
Current property	\$ 146,700	\$ 146,700	\$ 160,447	\$ (13,747)
Delinquent property	200	200	420	(220)
Commercial forest			326	(326)
Penalties and interest	5	5	21	(16)
	<u>146,905</u>	<u>146,905</u>	<u>161,214</u>	<u>(14,309)</u>
Total taxes and penalties				
	146,905	146,905	161,214	(14,309)
Interest and rentals				
Interest income	4,000	4,000	9,523	(5,523)
Rental income	10,500	10,500	13,268	(2,768)
	<u>14,500</u>	<u>14,500</u>	<u>22,791</u>	<u>(8,291)</u>
Total interest and rentals				
	14,500	14,500	22,791	(8,291)
Other revenue-miscellaneous	95	95	322	(227)
	<u>95</u>	<u>95</u>	<u>322</u>	<u>(227)</u>
<b>Total revenues</b>	<u>161,500</u>	<u>161,500</u>	<u>184,327</u>	<u>(22,827)</u>
<b>Expenditures</b>				
Building and grounds				
Custodian wages	23,000	23,000	25,296	(2,296)
Secretarial wages	3,400	3,400	3,428	(28)
Groundskeeping wages	24,500	24,500	24,636	(136)
Operational supplies	5,000	5,000	3,857	1,143
Inspection fees	1,000	1,000	270	730
Building insurance	6,500	6,500	2,571	3,929
Utilities	20,000	20,000	17,810	2,190
Building maintenance	8,000	8,000	2,463	5,537
Lawn maintenance	2,500	2,500	1,891	609
Truck repair/maintenance	2,500	2,500	2,685	(185)
Small equipment repair	1,000	1,000	842	158
Special projects	1,000	1,000	1,244	(244)
Audit	500	500	380	120
Capital outlay-park expansion	25,000	25,000	132,393	(107,393)
	<u>123,900</u>	<u>123,900</u>	<u>219,766</u>	<u>(95,866)</u>
Total building and grounds				
	123,900	123,900	219,766	(95,866)

**NEGAUNEE TOWNSHIP**

**REQUIRED SUPPLEMENTAL INFORMATION  
COMMUNITY BUILDING FUND**

**BUDGETARY COMPARISON SCHEDULE (Continued)  
FOR THE YEAR ENDED MARCH 31, 2008**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
<b>Expenditures (Continued)</b>				
Recreation and culture				
Recreation wages	\$ 7,500	\$ 7,500	\$ 7,513	\$ (13)
Recreation supplies	1,500	1,500	444	1,056
Outside recreational services	1,000	1,000		1,000
	<u>10,000</u>	<u>10,000</u>	<u>7,957</u>	<u>2,043</u>
Total recreation and culture				
Other				
Social security tax	4,200	4,200	4,518	(318)
Unemployment	300	300	331	(31)
Retirement	3,000	3,000	3,506	(506)
Hospitalization insurance	18,000	18,000	17,726	274
Insurance	2,000	2,000	2,145	(145)
Miscellaneous	100	100	153	(53)
	<u>27,600</u>	<u>27,600</u>	<u>28,379</u>	<u>(779)</u>
Total other				
<b>Total expenditures</b>	<u>161,500</u>	<u>161,500</u>	<u>256,102</u>	<u>(94,602)</u>
<b>Excess of revenues (expenditures)</b>	<u>\$</u>	<u>\$</u>	<u>\$ (71,775)</u>	<u>\$ 71,775</u>

**NEGAUNEE TOWNSHIP**

**REQUIRED SUPPLEMENTAL INFORMATION  
GENERAL FUND**

**BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED MARCH 31, 2008**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
<b>Revenues</b>				
Taxes and penalties				
Current property	\$ 106,700	\$ 106,700	\$ 112,300	\$ (5,600)
Delinquent property	5,000	7,000	294	6,706
Commercial forest	1,500	1,500	1,409	91
Penalties and interest	300	300	899	(599)
Administration fee	33,400	33,400	31,777	1,623
Total taxes and penalties	146,900	148,900	146,679	2,221
Licenses and permits	5,000	4,000	4,473	(473)
State grants				
State revenue sharing	207,885	207,885	202,896	4,989
State right of way fee			4,838	(4,838)
Total state grants	207,885	207,885	207,734	151
Charges for services				
School tax fee	5,000	5,000		5,000
Trailer court fees	125	125	32	93
Total charges for services	5,125	5,125	32	5,093
Interest income tax fund	7,000	7,000	6,878	122
Other revenue				
Other reimbursements	100	100		100
Over/short	25	25		25
Miscellaneous income	1,885	3,000	4,578	(1,578)
Total other revenue	2,010	3,125	4,578	(1,453)
<b>Total revenues</b>	<u>\$ 373,920</u>	<u>\$ 376,035</u>	<u>\$ 370,374</u>	<u>\$ 5,661</u>

**NEGAUNEE TOWNSHIP**

**REQUIRED SUPPLEMENTAL INFORMATION  
GENERAL FUND**

**BUDGETARY COMPARISON SCHEDULE (Continued)  
FOR THE YEAR ENDED MARCH 31, 2008**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
<b>Expenditures</b>				
<b>GENERAL GOVERNMENT</b>				
Legislative				
Board salaries and wages	\$ 8,400	\$ 8,400	\$ 8,400	\$
Emergency management coordinator	\$ 1,200	1,200	632	568
Building/rec committee wages	4,000	4,000	3,550	450
Publishing	1,750	700	652	48
Miscellaneous	750	750	740	10
Senior citizens	500	500	365	135
Special projects	250	1,800	1,518	282
	<u>16,850</u>	<u>17,350</u>	<u>15,857</u>	<u>1,493</u>
Total legislative				
Supervisor				
Salary	16,000	16,000	16,000	
Deputy supervisor		700	600	
Miscellaneous	500	500		500
	<u>16,500</u>	<u>17,200</u>	<u>16,600</u>	<u>600</u>
Total supervisor				
Elections	550	2,350	2,331	19
Assessor				
Salary	26,000	26,000	26,442	(442)
Assistant salary	20,283	22,033	23,109	(1,076)
Supplies	2,000	3,250	3,722	(472)
Attorney		250	144	106
Telephone	1,000	1,250	1,153	97
Postage	1,000	1,000	563	437
Mileage	300	300	119	181
	<u>50,583</u>	<u>54,083</u>	<u>55,252</u>	<u>(1,169)</u>
Total assessor				
Attorney				
Fees	3,500	3,500	1,846	1,654
Court fees	100	100		100
	<u>3,600</u>	<u>3,600</u>	<u>1,846</u>	<u>1,754</u>
Total attorney				



**NEGAUNEE TOWNSHIP**

**REQUIRED SUPPLEMENTAL INFORMATION  
GENERAL FUND**

**BUDGETARY COMPARISON SCHEDULE (Continued)  
FOR THE YEAR ENDED MARCH 31, 2008**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
<b>Expenditures (Continued)</b>				
GENERAL GOVERNMENT (Continued)				
Clerk				
Salary	\$ 15,000	\$ 15,000	\$ 15,000	\$
Deputy clerk salary	2,500	500		500
Mileage	25	25		25
	<u>17,525</u>	<u>15,525</u>	<u>15,000</u>	<u>525</u>
Total clerk				
	<u>1,500</u>	<u>1,700</u>	<u>2,865</u>	<u>(1,165)</u>
Board of review-wages				
Treasurer				
Salary	15,000	15,000	15,000	
Deputy treasurer salary	15,012	16,012	16,834	(822)
Supplies	3,000	2,200	3,302	(1,102)
Summer tax	500	500	403	97
Winter tax	500	500	398	102
Telephone	300	300	150	150
Mileage	300	300	50	250
Postage	1,000	500	440	60
	<u>35,612</u>	<u>35,312</u>	<u>36,577</u>	<u>(1,265)</u>
Total treasurer				
Building and grounds				
Custodian	3,000	3,600	3,764	(164)
Groundskeeping	3,000	3,500	3,601	(101)
Repairs and maintenance	250	250		250
Agent fee	275	275	250	25
Capital outlay			87,202	(87,202)
Debt service-principal	10,000	10,000	10,000	
-interest	20,500	21,550	19,740	1,810
	<u>37,025</u>	<u>39,175</u>	<u>124,557</u>	<u>(85,382)</u>
Total building and grounds				

**NEGAUNEE TOWNSHIP**

**REQUIRED SUPPLEMENTAL INFORMATION  
GENERAL FUND**

**BUDGETARY COMPARISON SCHEDULE (Continued)  
FOR THE YEAR ENDED MARCH 31, 2008**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
<b>Expenditures (continued)</b>				
GENERAL GOVERNMENT (Continued)				
Other				
Personnel committee	\$ 1,000	\$ 250	\$ 80	\$ 170
Dues/subscriptions	3,000	2,000	2,506	(506)
Audit	3,500	3,775	3,751	24
Service charges	100	100	819	(719)
Office wages	22,000	22,000	22,749	(749)
Supplies	3,750	4,250	4,634	(384)
Service contract/lease	700	700	700	
Telephone	2,000	2,000	1,648	352
Postage	1,750	1,750	2,140	(390)
Mailings	1,200	500		500
Internet	700	700	334	366
Mileage	50	350	334	16
Miscellaneous	500	500	10	490
Computer expense	2,500	8,500	19,239	(10,739)
	<u>42,750</u>	<u>47,375</u>	<u>58,944</u>	<u>(11,569)</u>
Total other				
	<u>42,750</u>	<u>47,375</u>	<u>58,944</u>	<u>(11,569)</u>
TOTAL GENERAL GOVERNMENT	<u>222,495</u>	<u>233,670</u>	<u>329,829</u>	<u>(96,159)</u>
PUBLIC SAFETY-Animal control	<u>500</u>	<u>1,800</u>	<u>1,737</u>	<u>63</u>
PUBLIC WORKS				
Sanitation				
Debt service-principal	7,500	7,500		7,500
-interest			498	(498)
Capital outlay-sewer	<u>27,325</u>	<u>28,365</u>		<u>28,365</u>
Total sanitation	<u>34,825</u>	<u>35,865</u>	<u>498</u>	<u>35,367</u>
Street lighting	<u>13,500</u>	<u>13,500</u>	<u>13,523</u>	<u>(23)</u>
TOTAL PUBLIC WORKS	<u>48,325</u>	<u>49,365</u>	<u>14,021</u>	<u>35,344</u>

**NEGAUNEE TOWNSHIP**

**REQUIRED SUPPLEMENTAL INFORMATION  
GENERAL FUND**

**BUDGETARY COMPARISON SCHEDULE (Continued)  
FOR THE YEAR ENDED MARCH 31, 2008**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
<b>Expenditures (continued)</b>				
COMMUNITY AND ECONOMIC DEVELOPMENT--				
Planning commission				
Wages	\$ 3,250	\$ 3,250	\$ 3,345	\$ (95)
Project manager wages	24,000	18,500	19,187	(687)
Attorney	2,000	2,000	1,256	744
Miscellaneous	1,500	4,100	4,326	(226)
	<u>30,750</u>	<u>27,850</u>	<u>28,114</u>	<u>(264)</u>
TOTAL COMMUNITY AND ECONOMIC DEVELOPMENT				
	<u>30,750</u>	<u>27,850</u>	<u>28,114</u>	<u>(264)</u>
OTHER				
Social security and medicare	12,500	11,500	11,598	(98)
Unemployment	350	400	449	(49)
Retirement	8,750	7,250	6,491	759
Hospitalization	40,000	30,000	28,184	1,816
In lieu health insurance	2,000	2,000	1,158	842
Health accounts and deductibles	1,250	5,200	(1,562)	6,762
Insurance and bonds	7,000	7,000	6,712	288
Transfer to other funds			19,127	(19,127)
	<u>71,850</u>	<u>63,350</u>	<u>72,157</u>	<u>(8,807)</u>
Total other				
	<u>71,850</u>	<u>63,350</u>	<u>72,157</u>	<u>(8,807)</u>
<b>Total expenditures</b>	<u>373,920</u>	<u>376,035</u>	<u>445,858</u>	<u>(69,823)</u>
<b>Excess of revenues (expenditures)</b>	<u>\$</u>	<u>\$</u>	<u>\$ (75,484)</u>	<u>\$ 75,484</u>

**NEGAUNEE TOWNSHIP**

**REQUIRED SUPPLEMENTAL INFORMATION  
ROAD FUND**

**BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED MARCH 31, 2008**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
<b>Revenues</b>				
Taxes and penalties				
Current property	\$ 85,000	\$ 85,000	\$ 83,907	\$ 1,093
Delinquent property	500	5,500	220	5,280
Commercial forest	150	150	171	(21)
Penalties and interest	10	10	11	(1)
	<u>85,660</u>	<u>90,660</u>	<u>84,309</u>	<u>6,351</u>
Total taxes and penalties				
Interest income	<u>4,000</u>	<u>4,000</u>	<u>4,146</u>	<u>(146)</u>
<b>Total revenues</b>	<u>89,660</u>	<u>94,660</u>	<u>88,455</u>	<u>6,205</u>
<b>Expenditures</b>				
Road signs	500	500	191	309
Debt service	88,735	93,735	75,644	18,091
Miscellaneous	25	25		25
Professional services	400	400	404	(4)
	<u>89,660</u>	<u>94,660</u>	<u>76,239</u>	<u>18,421</u>
<b>Total expenditures</b>				
<b>Excess of revenues over (under) expenditures</b>	<u>\$</u>	<u>\$</u>	<u>\$ 12,216</u>	<u>\$ (12,216)</u>

## **SUPPLEMENTAL INFORMATION**

**NEGAUNEE TOWNSHIP**  
**SUPPLEMENTAL INFORMATION**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
COMBINING BALANCE SHEET  
MARCH 31, 2008

	Special Revenue Funds		Capital Projects	Total Non-Major Governmental Funds
	Liquor	Brownfield		
<b>Assets</b>				
Cash on hand and in bank	\$ 84	\$ 31,181	\$	\$ 31,265
Due from other funds			22,634	22,634
<b>Total assets</b>	<u>\$ 84</u>	<u>\$ 31,181</u>	<u>\$ 22,634</u>	<u>\$ 53,899</u>
<b>Liabilities and fund balances</b>				
<b>Liabilities</b>				
Due to other funds	\$	\$ 304	\$	\$ 304
Total liabilities		304		304
<b>Fund balances</b>				
Reserved	84	30,877	22,634	53,595
<b>Total liabilities and fund balances</b>	<u>\$ 84</u>	<u>\$ 31,181</u>	<u>\$ 22,634</u>	<u>\$ 53,899</u>

**NEGAUNEE TOWNSHIP**

**SUPPLEMENTAL INFORMATION  
NON-MAJOR GOVERNMENTAL FUNDS**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED MARCH 31, 2008**

	<u>Special Revenue Funds</u>		<u>Capital Projects</u>	<u>Total Non-Major Governmental Funds</u>
	<u>Liquor</u>	<u>Brownfield</u>		
<b>Revenues</b>				
Taxes and penalties	\$	\$ 27,444	\$	\$ 27,444
State grants	431			431
<b>Total revenues</b>	<u>431</u>	<u>27,444</u>		<u>27,875</u>
<b>Expenditures</b>				
Public safety	601			601
Community/economic development		281		281
<b>Total expenditures</b>	<u>601</u>	<u>281</u>		<u>882</u>
<b>Excess of revenues over (under) expenditures</b>	(170)	27,163		26,993
<b>Fund balance - April 1, 2007</b>	<u>254</u>	<u>3,714</u>	<u>22,634</u>	<u>26,602</u>
<b>Fund balance - March 31, 2008</b>	<u>\$ 84</u>	<u>\$ 30,877</u>	<u>\$ 22,634</u>	<u>\$ 53,595</u>

**COWELL & LaPOINTE, PC**

CERTIFIED PUBLIC ACCOUNTANTS

GLORIA J. LaPOINTE, CPA, CFP

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101 SOUTH FRONT STREET

SAVINGS BANK BUILDING, SUITE 301

MARQUETTE, MICHIGAN 49855

906-228-5150

**INTERNAL CONTROL COMMUNICATION AND REPORT OF COMMENTS AND  
RECOMMENDATIONS**

Board of Trustees  
Negaunee Township  
Marquette County, Michigan

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Negaunee Township as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Negaunee Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Governmental Unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the Governmental Unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control under SAS No. 112.

- **Finding 2008-1**—Responsibility for preparation of financial statements rests with the Township's management and requires internal controls. Historically, Negaunee Township has relied on the independent auditors to assist in preparing the financial statements, including the notes to the financial statements. Independent auditors cannot be part of Negaunee Township's internal controls. It has been more cost effective to outsource the preparation of financial statements to the independent auditors than to incur time and cost of employees obtaining training necessary to perform this task internally. Statement on Auditing Standards (SAS) No. 112 requires us to communicate when a client requires assistance in



## **BANK RECONCILIATIONS**

Bank reconciliations need to be reconciled to the general ledger. The pooled savings account reconciliation did not reflect several transfers between funds and therefore, did not agree to the general ledger. A copy of the bank reconciliations should be provided by the treasurer to the clerk and the clerk should reconcile the general ledger to either the treasurer's reconciliations or the bank statements directly.

## **BANK ACCOUNTS**

The Township maintains most of its cash at two banks. This limits the FDIC coverage as well as the potential for better interest rates and lower fees. We suggest the Treasurer and Clerk pursue the possibility of moving funds to other banks.

## **CASH RECEIPTS**

A review of cash receipts indicated incorrect account number classifications. When the Treasurer issues triplicate cash receipts the accounts and account numbers should be indicated on the receipt. It should follow the current chart of accounts listing which would be available from the Clerk. This will enable the Clerk to classify the receipt properly. While there were changes made from the previous year there is still room for improvement.

## **FINANCIAL STATEMENTS**

The Township uses Quick Books for its' bookkeeping and financial statements. When preparing financial statements by fund at year end, the funds did not balance. There were various entries made during the year that crossed funds but did not balance across the funds. Monthly financial statements by fund should be prepared to insure that funds are in balance. Finding the differences caused additional time to be spent on the audit and indicates a lack of internal control.

## **PAYROLL REPORTS**

Michigan unemployment reports have had minor discrepancies for several years. The detail wage report should include only those employees that are covered under the Act which excludes elected officials, those serving on a temporary basis in emergency situations (firefighters), those in policymaking positions, etc. The remittance report should also only use the wages of the covered employees. Efforts should be made to report these amounts accurately.

## **INTERFUND ACTIVITY**

Interfund receivables and payables did not reconcile at March 31, 2008. After examining the activity, five transactions had to be adjusted to bring them into balance. These are reflected in the adjusting journal entries. These accounts should always be in balance with each other for proper internal financial reporting.

## INTERNAL CONTROL COMMUNICATION--Continued

Page 2

preparing the financial statements in accordance with accounting principles generally accepted in the United States of America.

Due to the size and budget constraints of Negaunee Township we do not recommend any changes in procedures at this time.

**Response**—The Negaunee Township Board of Trustees agrees with the recommendation of Cowell & LaPointe, P.C.

- **Finding 2008-2**—A significant number of adjusting journal entries were proposed by the auditors, which are material to the financial statements. SAS No. 112 indicates that management is responsible for establishing, maintaining, and monitoring internal controls, and for fair presentation in the financial statements. The independent auditors cannot be a part of internal controls.

Due to the size and budget constraints of Negaunee Township we do not recommend any changes in procedures at this time.

**Response**—The Negaunee Township Board of Trustees agrees with the recommendation of Cowell & LaPointe, P.C.

- **Finding 2008-3**—Public Act 621 of 1978 requires local units of government to prepare and to monitor their fiscal year budgets in accordance therewith. The Act provides that local unit of government must amend its budget if it becomes apparent that the local unit's actual revenues will deviate from those budgeted, or if the local unit's expenditures will exceed the amounts appropriated. During the year ended March 31, 2008, Negaunee Township had actual expenditures in excess of budgeted expenditures in certain budgetary functions.

We recommend Negaunee Township review the requirements of the Act and amend the budget in the future as needed.

**Response**—The Negaunee Township Board of Trustees agrees with the recommendation of Cowell & LaPointe, P.C. Public Act 621 of 1978 will be reviewed for budgeting purposes, and the staff of Negaunee Township will work with the auditors in an attempt to eliminate budget variances.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe the deficiencies presented above constitute material weaknesses under SAS No. 112.

In addition, we noted the following matters involving the internal control and its operation:

## **INTERNAL CONTROL COMMUNICATION--Continued**

Page 4

There are various interfund accounts that have had balances for several years. An attempt should be made to either transfer those funds or set up a permanent receivable/payable. Most of the balances were the result of the receipt or disbursement of funds into the incorrect fund. These involve the Brownfield, Debt Service, Sanitation, General and Capital Projects funds. See Note E to the financial statements for detail on these amounts. Additional information has been given to the Clerk and Treasurer.

### **PAYROLL LIABILITIES AND BALANCE SHEET ACCOUNTS**

Medical insurance premiums for a former employee were paid by the Township and reimbursed by the former employee. Upon her death, a premium was paid by the Township but not reimbursed. Payroll liabilities and withholdings on the balance sheet should be monitored regularly and followed up on when there are discrepancies.

All balance sheet accounts can be reconciled to outside vendors and/or internal records, including accounts receivable. All accounts should be reconciled at a minimum at year end before the audit starts for improved internal controls on financial reporting and to help reduce the cost of the audit.

This communication is intended solely for the information and use of management and others within the Township, and is not intended to be and should not be used by anyone other than these specified parties.

We want to thank Township personnel for their help during the audit. If we can be of assistance in the implementation of these recommendations or any other services as they may arise, please contact us.

*Cowell & Rubante PC*

Certified Public Accountants

July 7, 2008